



Response to Questions Received by February 17, 2006
U. S. Equity Growth Managers
Request for Proposal No. 2005-3787

CALPERS-OSS-212 (06/19/05)

1. We do not retain any outside entities that would be responsible for any work on the contract. How do we complete the forms?

CalPERS: In accordance with statute, every proposer must comply with the Disabled Veteran Business Enterprise contract participation requirement. Attachment F contains information and instructions with which each proposer must comply in order to achieve the participation goal or document a good faith effort. Please see page 3 of 5, Attachment F, for the four options to choose from to fulfill this requirement.

2. Regarding Exhibit 6, the Standard Contract, paragraph E.8 on page 7 makes reference to paragraph D.4, but there does not seem to be a paragraph D.4 in the Agreement. What is intended?

CalPERS: The reference is corrected to read paragraph "E.4." Exhibit 6 on our website has been revised as of February 17, 2006.

3. Does the investment firm submitting a proposal need to meet DVBE status/qualifications?

CalPERS: No. The DVBE you are subcontracting with must be certified by the California Department of General Services, OSDC.

4. If not and the investment firm (proposer) needs to only contract with a DVBE, **must** the certified DVBE be located and perform its business strictly in the state of California, or is it permissible that the DVBE is located in a different state?

CalPERS: As stated in Attachment F, only State of California, Office of Small Business and DVBE Certification (OSDC) certified DVBEs who perform a commercially useful function relevant to this solicitation may be used to satisfy the DVBE program requirements.

5. If the DVBE can only reside in California, can you please provide a list of possible DVBE's to contract with?

CalPERS: Certification information is available at [http: www.pd.dgs.ca.gov/smbus](http://www.pd.dgs.ca.gov/smbus). You would first have to decide on the category of services needed by your firm.

6. Can you please provide an example of how a 3% or more DVBE participation is met?

CalPERS: If you subcontract with a certified DVBE to perform 3% of any work that you receive as a result of this RFP. Any amount less than 3% would require good faith effort documentation.

7. (Exhibit 6) Would certain compliance provisions contained in the Agreement (including Gov. Code 20151, the DVBE requirements, PCC 10115 et. seq., The Political Reform Act of California, Gov. Code Section 20152.5, The Drug Free Workplace Act of 1990, and Part 5 of Division 9 of the Family Code) apply to the Contractor if the Contractor would not otherwise be subject to said laws by virtue of the fact that it is neither located in California, nor employs any California residents?

CalPERS: Yes. All of the above are mandatory for all contracts with CalPERS

8. Also, do the DVBE requirements apply to the Contractor entity as a whole, or just the Contractor's operations in connection with the services supplied under the Agreement?

CalPERS: Only the Contractor's operations in connection with the services supplied under this Agreement.

9. Please advise whether there are any restrictions on using the CalPERS logo in our RFP No: 2005-3737 submission?

CalPERS: The name CalPERS and the triangle logo are registered trademarks of CalPERS and may not be used for any purpose without the express permission of CalPERS. For more information and permission for logo use, please contact the CalPERS Office of Public Affairs at (916) 795-3991.

10. The "Scope of Work" section says that a manager must NOT be concentrated. How do you define "Concentrated" in terms of the # of stocks in a manager's model portfolio? If we are concentrated with 23-25 names are we out?

CalPERS: We define concentrated as focusing the portfolio in one or a small number of sectors. The proposed product should be diversified across sectors and able to outperform in most market environments.

11. We manage an active domestic equity growth strategy that meets the minimum requirement of three years of live performance history. As of December 31, 2005, assets under management for this strategy was \$458 million. Would CalPERS be willing to consider products that do not meet the minimum requirement of \$1.0 billion in assets in the subject product?

CalPERS: No.

12. Does the search criteria for this RFP and respective investment policy guidelines for this assignment allow for the consideration of firms employing bona fide "portable alpha" products that purport to add incremental returns above the specific index desired (i.e. Wilshire index referenced in the RFP), using futures and long/short strategies?

CalPERS: No.

13. Our question is would you like us to fill out separate RFPs, or simply attach Mid to our Large cap given many of the answers will be redundant?

CalPERS: If a firm wishes to submit multiple products, a complete proposal must be submitted for each individual product.

14. Please confirm that CalPERS would not deem a third-party service provider that assists in the administration of the proxy voting process to be a sub-contractor.

CalPERS: Pursuant to Section 20919.1.(n) of the California Public Contract Code: "Subcontractor" means any person, firm, or corporation, other than the employees of the job order contractor, who is bonded and general liability insured and who contracts to furnish labor, or labor and materials, at the worksite or in connection with a job order, whether directly or indirectly on behalf of the job order contractor. In regards to

the proxy voting policy, please see Section E.1.e) of Exhibit 6.

15. How do you determine the “maximum amount of the Agreement” as referenced on the front cover of the Standard Agreement?

CalPERS: The “maximum amount of the Agreement” will be labeled as “Undefined” at the conclusion of successful contract negotiations.

16. Can managers use soft dollars?

CalPERS: Yes.

17. Are only the securities of U.S.-based companies allowed to be included in the proposed portfolio? Are ADR's, foreign ordinaries, etc. permitted?

CalPERS: Companies must be incorporated and/or headquartered in the U.S.

18. Are we required to provide both a performance fee and an asset based fee?

CalPERS: Yes.

19. We will need to see the exhibits, schedules, policies, etc., before we finalize a contract. Does that present a problem?

CalPERS: No.

20. How long are contractors generally held to their initial fees or bids (i.e. typically, how long is “a reasonable period of time”)? Does this period extend beyond the five year period stated in the Contract?

CalPERS: Contractors are held to their initial fees or bids for five years.

21. Because the Board may change the procedures relating to monthly and quarterly reporting, is there an advance notice typically given to the Contractor in the event of such change?

CalPERS: Yes.

22. The second sentence in question # 42 states "The file must include the MT541, MT543 and MT599 transactions for the purchases, sales and cancellations in a file-based format for CalPERS using a secure shell (SSH) over file transfer protocol (ftp)." Is the reference to MT599 correct or should it be MT598?

CalPERS: MT599 is the correct message format.

23. We will need to receive advance notice of changes to policies and similar matters. Does that present a problem?

CalPERS: No.

24. The reference to paragraph D.1.a.iii in Paragraph E.1.a.2 does not seem correct?

CalPERS: Reference should be to E.1.a.3.

25. With respect to question #51, could you please provide a definition for "Restricted portfolios"? Are these portfolios with one-off restrictions or are you referring to socially responsible portfolios (e.g., prohibitions on purchasing issuers in the tobacco business)?

CalPERS: These are portfolios with either one-off restrictions and/or SRI portfolios, if you include the SRI portfolios in the same composite as the proposed product for CalPERS.

26. If the contractor has no place of business in California or no employees working or living in California, Is the contractor still required to provide the name of new employees to the new employee registry?

CalPERS: No, provided that the Contractor has no place of business in California and no employees working or living in California.

27. We would disclose conflicts and other relevant information on Form ADV. Is this sufficient?

CalPERS: No. Pursuant to Section VIII.G.5 of the RFP, all actual and potential Conflicts of Interests of the firm and each Key Personnel must be fully disclosed in writing with explanations on how the firm and each Key Personnel plan on managing or mitigating such conflicts, and such disclosures must be updated as changes occur to enable CalPERS to knowingly and intelligently analyze the impact of the conflict(s).

28. We're not sure why in Paragraph F.1, time is of the essence. Please clarify.

CalPERS: CalPERS requires the Contractor to perform its contractual duties timely. Failure to do so may justify a termination of the contract.

29. We cannot commit to ensure that subcontractors maintain certain records. We can put it in the subcontracts, but don't have control over them. Is this sufficient?

CalPERS: No. Pursuant to Section G.3. of Exhibit 6, Contractor shall ensure that books and records of subcontractors . . . shall also be accurately maintained. Pursuant to Section G.13. of Exhibit 6, CalPERS must agree in advance to the utilization of a specific subcontractor, and the Contractor shall require that any subcontractor agree to be bound by all provisions of this Agreement as applicable.

30. We can inform CalPERS of investigations, proceedings, etc., involving Key Personnel on CalPERS account, but not others that are not related to this account. Does that present a problem?

CalPERS: Yes. Please see Section VIII.G.5.

31. We would commit to provide a SAS70, but cannot notify CalPERS of irregularities or violations that do not involve CalPERS account. Does that present a problem?

CalPERS: Yes.

32. CalPERS' contract requires contractors to comply with the applicable provisions of California's Fair Employment and Housing Act and its regulations. Do the employment-related provisions of the Act (such as the maternity leave requirements) apply to contractors who have no place of business or employees in California?

CalPERS: Yes. The objectives of the California Fair Employment and Housing Act and title VII of the Federal Civil Rights Act are identical and California courts have relied upon federal law to interpret analogous provisions of the state statute. Furthermore, pursuant to Section G.1. of Exhibit 6, Contractor shall carry out its duties and responsibilities . . . and comply with all federal, state, city and county laws, rules or regulations affecting services under this Agreement.

33. The specialized services required are potentially expansive. Are the specialized services for the benefit of the Board only, or are they for the benefit of a wider audience? Is there a limit on time that is generally spent on implementing the services, or is there additional compensation awarded in connection with the specialized services?

CalPERS: The specialized services will be for the benefit of the Board and CalPERS staff. They have not been expansive in the past and it is not anticipated that they will be in the future. No additional compensation will be given.

34. What are the circumstances under which CalPERS would not concur with a change in authorized personnel or "Key Personnel", and how long does such approval generally take? Is it possible for the Contractor to change authorized personnel or "Key Personnel" simply by providing notice (which seems to be implied in Section G(10) of the Agreement)?

CalPERS: Under some circumstances, CalPERS would reserve its right to terminate a contract if it felt that the change in "Key Personnel" would materially impact the implementation and execution of the managers' investment process.

35. Regarding Exhibit 6, the Standard Contract, paragraph E.8 on page 7 makes reference to paragraph D.4, but there does not seem to be a paragraph D.4 in the Agreement. What is intended?

CalPERS: Please see question #2 above.

36. The Agreement references a CalPERS termination right but not a reciprocal Contractor termination right. What are the mechanics if the Contractor desires to terminate the arrangement?

CalPERS: The mutual termination provision will be vetted during the contract negotiation process.

37. If awarded the investment management contract for the CalPERS portfolio, can a proposer use trading commissions directed to a qualified DVBE that are generated by the CalPERS portfolio as long as it meets the requirements of best execution?

CalPERS: No.

38. Are trading commissions a common way for investment managers to meet their DVBE requirements or do investment managers explore other commercially useful functions such as office supply contracts or IT services? Would office supply or IT service contracts meet the 'commercially useful' function for an investment management firm?

CalPERS: No, Proposers may not meet the DVBE requirement through trading commissions. The other options mentioned above could be used to achieve DVBE participation. All services must be directly related to Contractor's operations in connection with the services supplied under this Agreement.

39. Since the mid 1990s, our firm has been managing U.S. Growth Equities. We have several product offerings in this space:

U.S. Large Cap Product 1
U.S. Large Cap Product 2
U.S. Large Cap Product 3

We would like to be considered for our flagship product, U.S. Large Cap Product 1. One of the criteria for qualification is to manage at least \$1 Billion in assets of the proposed product. As of September 30, 2005, we managed less than \$1 Billion in U.S. Large Cap Product 1, more than \$1 Billion in U.S. Large Cap Product 2 and less than \$1 Billion in U.S. Large Cap Product 3.

All of these products are managed by the same large cap growth team and follow the same investment philosophy and process. The differences among the products are the benchmarks used and the number of holdings. Our Large Cap Product 1 portfolio tracks the Russell 1000 Growth benchmark and holds 50-70 stocks. The Large Cap Product 2 portfolio also follows the Russell 1000 Growth, but is a more concentrated portfolio that holds 35-55 stocks. Our Large Cap Product 3 portfolio tracks the S&P 500 benchmark and holds 60-90 stocks.

We hope that you will consider our U.S. Large Cap Product 1 capability given the total of large cap growth assets exceeds \$1 Billion. Please advise if this will fulfill your minimum asset requirement.

CalPERS: No. The product being submitted must meet the MQ of \$1B in assets. Similar products that have more than \$1B in assets may NOT be substituted.